

The complaint

Mr S complains that Mitsubishi HC Capital UK Plc (MHCC) didn't sufficiently check whether he could afford to sustain the repayments before they agreed to lend to him on several occasions.

In bringing his complaint Mr S is represented by a third party. For ease of reading, I will only refer to Mr S in my decision.

What happened

In February 2018, Mr S entered into a Fixed Sum loan agreement with MHCC for £5,000. After interest and charges were applied Mr S needed to repay in total £7,067.88. This was repayable over 36 months with monthly payments of £196.33. Mr S settled the account in November 2019, and a rebate was applied for settling the agreement early.

In September 2021, Mr S entered into another Fixed Sum loan agreement with MHCC for £25,000. After interest and charges were applied the total amount Mr S was required to pay was £29,954.76. This was repayable over 66 months at £453.86 a month. Mr S paid one monthly repayment before settling the agreement in October 2021. An early settlement rebate was applied.

In December 2021 Mr S entered into a Fixed Sum loan agreement with MHCC for £6,000. After interest and charges were applied Mr S was required to repay in total £7,656.48 over 36 months at £212.68 a month. Mr S settled the agreement in December 2022, and a rebate was applied for settling the agreement early.

In August 2022, Mr S entered into a Fixed Sum loan agreement with MHCC for £2,500. After interest and charges were applied Mr S was required to repay in total £3,262.11 over 29 months at £121.14 a month. Mr S settled the agreement in December 2022, and a rebate was applied for settling the agreement early.

Mr S said MHCC hadn't checked his financial situation sufficiently and by lending to him he'd become heavily indebted. He complained to MHCC.

MHCC said they'd used application, credit reference agency (CRA) and statistical data to assess the affordability of each loan for Mr S. They said based on these checks Mr S should have had sufficient disposable income to sustain his repayments. They said each of their lending decisions had been fair.

Mr S wasn't happy with MHCC's response and referred his complaint to us. Our investigator said MHCC's checks were reasonable and proportionate and based on these their decision to lend was fair.

Mr S didn't agree, he said MHCC's assessment for three of the loans showed him to be a homeowner without a mortgage. And that the amount of disposable income MHCC said he had on each occasion wasn't enough to cover his non-discretionary spending. He said they should have checked further.

Our investigator considered Mr S' comments and asked him for further evidence to show his actual financial circumstances at the time of each lending event. But Mr S hasn't been able to provide any further information for us to consider. Mr S asked for an ombudsman to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities - in other words, what I consider is most likely to have happened considering the available evidence and the wider circumstances.

While I empathise with Mr S, for me to say MHCC must do something different I must first be satisfied that they've done something wrong. I can't say that they have here which is why I won't be asking them to do anything else. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before MHCC offered each loan they needed to complete reasonable and proportionate checks to be satisfied Mr S would be able to repay the debt in a sustainable way.

In deciding what was proportionate MHCC needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments, the overall cost of credit and the consumer's circumstances. I've considered the checks MHCC did.

Based on the evidence submitted I can't see what the purpose of each loan was for. But for each loan MHCC has shown they completed the same checks. They asked Mr S about his employment status and annual income. CONC says a lender shouldn't solely rely on the income declared by the consumer but should verify this through an independent source or third party. MHCC has shown they verified Mr S' income through the use of an independent source, a CRA income verification tool to check what he'd declared on his application. They also carried out a credit check to understand Mr S' credit history and credit commitments, which would show his level of indebtedness and his management of his credit. From this they calculated a credit score using their internal lending criteria.

MHCC said they also checked Mr S' residential status and mortgage payments. For the first loan Mr S declared he was a homeowner with a mortgage, which MHCC's credit check showed. As Mr S had a partner MHCC considered he'd be responsible for 50% of that cost. For the other three loans Mr S declared he was a homeowner without a mortgage.

In their assessment MHCC said they used statistical data supplied by the Office for National Statistics (ONS) to consider Mr S' non-discretionary spending for items such as council tax, food and insurance. From these combined checks MHCC concluded Mr S should be able to afford each loan as he'd enough disposable income each month to cover living costs and other monthly non-discretionary expenses based on the national average.

CONC says a lender should take reasonable steps to estimate a consumer's income and essential outgoings. And allows for the use of statistical data in so doing. But we consider a lender should do more where for example the income was low, or the lending was high. Where Mr S was borrowing £25,000 over a period of 66 months, I would expect a lender to check further into a consumer's essential outgoings rather than a reliance on statistical data to determine their essential spending. I'm not saying MHCC had to ask Mr S to provide his

bank statements, but these generally are a good indicator of what Mr S' income and expenditure would have been at the time of the lending.

Mr S hasn't provided any further such evidence to us. So, while I accept that Mr S' circumstances mightn't have been fully reflected in the information MHCC obtained and that his non-discretionary expenditure might have been more than that calculated by MHCC. Without any contrary evidence for me to consider I don't think that there was anything immediately obvious in the information that MHCC had, including Mr S' existing credit, which meant they shouldn't rely on it.

In support of this MHCC also had the information as to how Mr S managed his agreements with them. For each loan Mr S paid his monthly repayment on time except for one occasion in June 2018. And he'd settled each agreement early. For the largest loan amount £25,000 Mr S settled this agreement one month after taking it out.

So, based on the evidence I have to consider. MHCC took reasonable steps to estimate Mr S' income and expenditure. And from these checks they found Mr S should have been able to sustain the repayments as he'd sufficient disposable income each month after considering his credit commitments and non-discretionary spending based on average spending. MHCC's credit history checks didn't highlight any adverse information that could have been considered to be signs of financial vulnerability such as defaults or county court judgements. And I'm satisfied that the information gathered did appear to suggest that at the time at least, the monthly payments for each of these loans was affordable. So, I can't say MHCC acted unfairly or unreasonably when lending to Mr S.

I've also considered whether MHCC acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether their relationship with him might have been viewed by a court under Section 140A Consumer Credit Act. But, for the reasons I've already given, I don't think MHCC lent irresponsibly to Mr S or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 August 2025.

Anne Scarr
Ombudsman